

Meeting Summary

The following is a summary of issues discussed at the DHCD Stat Meeting on, March 31, 2014. Analysis is provided by StateStat.

Maryland Mortgage Program

- **New Website Launched, Reservations Down.** The Maryland Mortgage Program (MMP) website has officially launched and a promotional slider has been placed on the DHCD homepage directing people to the new website. While fiscal year to date loan purchases are up compared to last year, loan reservations are down and CY2014 is off to a slow start with only 228 loans purchased in January and February. February 2014 posted only 88 purchases, the lowest number since February 2012. The impact of the decline in reservations has been minimized to some degree due to the loan pull through rate that has been over 80 percent, exceeding the goal of 75 percent set by DHCD. DHCD has attributed the decline in reservations and the resulting decline in purchases to the fact that they were unable to financially sustain three very effective “MMP specials” (Homefront, Save-a-home, and Targeted Areas). All three of these specials stopped in the August-September timeframe last year. DHCD maintains that starting with a new and revitalized marketing effort, including the new web-site, and a full slate of new initiatives scheduled to roll-out this spring that reservation activity will rise in 2014. DHCD has relaunched Homefront providing reduced mortgage rates to veterans and the program will run through May. In their follow up response DHCD stressed that new initiatives and lower MMP interest rates are not always something that can be readily done and sustained. And that MMP is different than other State programs as it relies on DHCD’s ability to raise private capital and manage its existing debt. DHCD’s long-term efforts are not to rely on “specials” to achieve its desired MMP activity levels; this is an ongoing challenge for the agency. DHCD reports they are actively working to expand their network of lender partners and are currently targeting underserved sections of the state including southern Maryland and the eastern shore.

Maryland Mortgage Program Dashboard

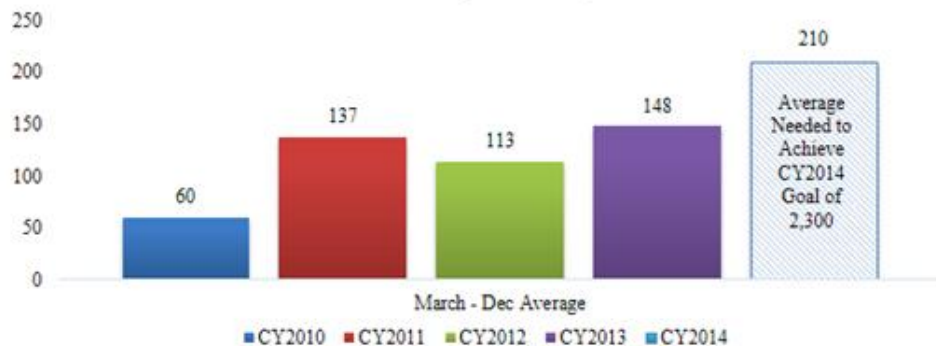
Maryland Mortgage Program Reservations and Purchases

Note: 50 to 105 Day Window Between Reservation and Purchase



- Website and New Revitalized Marketing Plan Launched
- Initiatives Ending in August/September Negatively Impacting Reservations and Purchases
- Slow Start to Achieving CY2014 Goal of 2,300 Purchases

March to December Loan Purchases: Monthly Average



Maryland Mortgage Program July through February

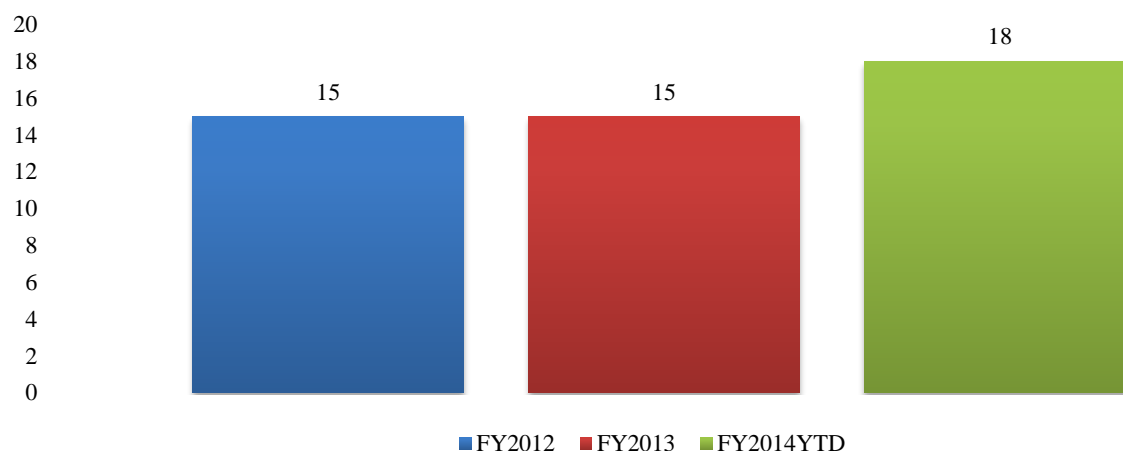


Partner Match Program

- **Eighteen New Partners in FY14, More than FY13 and FY12 Totals, Purchases Down with MMP.** DHCD partners with a range of organizations including, employers, builders and developers, and community organizations and local housing agencies, to provide prospective homebuyers with additional funds (sometimes grants, sometimes loans) to help them purchase their first home. The Partner Match Program matches contributions from partner organizations up to \$3,500 as a zero-interest deferred loan. These funds can be combined with other Partner Match funds and other DHCD Down Payment Assistance loans for eligible homebuyers. DHCD has indicated that major barriers to purchasing a home for individuals eligible for the MMP are down payment and closing costs. Currently approximately 60 percent of MMP transactions have a partner match.

Fiscal Year 2014 has been a good year for establishing new partners for this program. To date, eighteen partners have signed up for the program. With four reporting months left in the fiscal year, DHCD has already surpassed the annual totals for FY2013 and FY2012 (15 each year) and raised the total number of partners to 299. The State of Maryland is the most active partner. Loan purchases have slowed, most likely as a result of slowing MMP activity, though loan purchases to date (217) are higher than at the same time in FY2013 (174).

New Partner Match Program Partners



Foreclosures/Housing Market

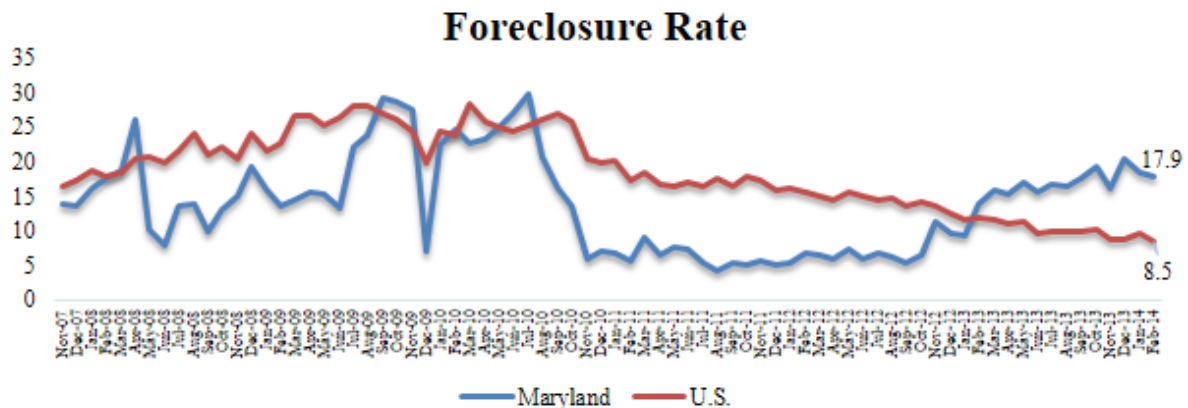
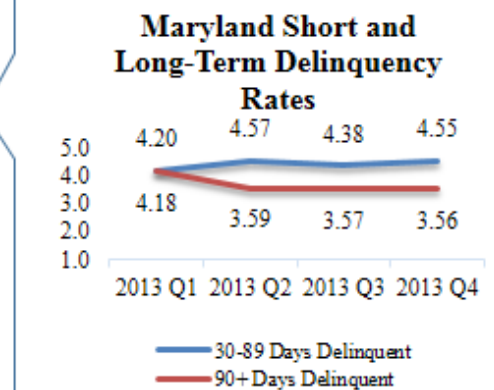
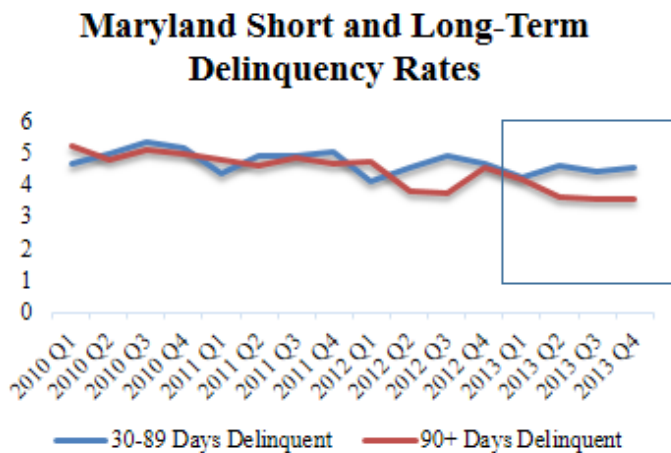
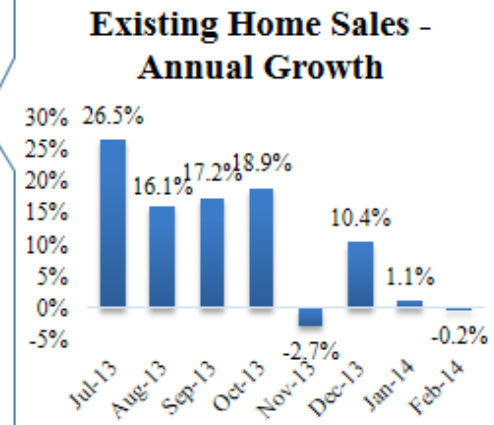
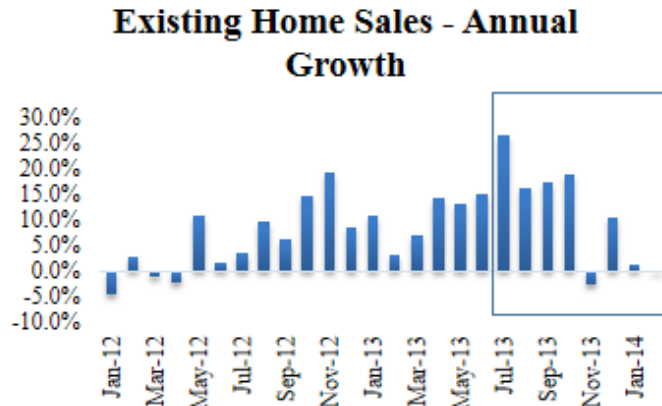
- **Foreclosure Rates Decline but Orders to Docket Are Slowing Potentially Extending Clearing the Foreclosure Backlog. Mediation Participation is Down in FY2014 and there is Wide Variability in Participation Rates Throughout the State.** Maryland's foreclosure rate declined for the second consecutive month in February to 17.9 and Maryland was ranked second in the nation in foreclosures. Year-over year growth in median home price was strong in 2013 however in the first two months of 2014 growth was roughly level with the same time last year. DHCD and DLLR suggest distressed properties may have contributed to the slowdown. Additionally, short and long-term delinquencies have been on the decline for the past three years however over the last two quarters the decline in long-term delinquencies has slowed considerably and decline in short-term delinquencies has effectively leveled off.

Orders to Docket (OTD) increased over the course of 2013, reaching a program high in October. DHCD and DLLR have indicated at previous StateStat meetings that this is a necessary trend as lenders clear the backlog of severely delinquent loans. In early Q4CY2013 agency analysis estimated the backlog to be cleared by roughly October 2014 based on the rate of OTDs. Since October, OTDs have slowed compared to 2013 though remain elevated over the 2010-2012 period. In December through February, OTDs have remained fairly constant at just over 2,000 a month. At this level DHCD and DLLR have revised the forecast and are now estimating that the clearing of the seriously delinquent backlog will last through March 2015.

Mediation participation rates for mediation eligible OTDs declined slightly in February and FY2014 is on pace to be the second year of decline in participation rates. The FY2012 participation rate was 25.5 percent this dropped to 24.2 percent in FY2013 and for FY2014 the participation rate is 22.7 percent through February. DHCD attributes the decline in participation rates to the proportion of mediation eligible OTDs that are severely delinquent. Throughout FY2014, there has been noticeable variability in the county mediation participation rate from 47 percent in St. Mary's County to 11 percent in Allegany County and Washington County.

Foreclosure Dashboard

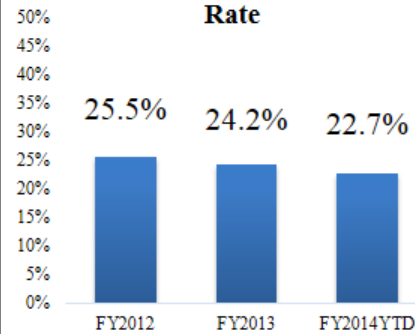
- Foreclosure rate declined over the last two months along with a slowdown of long-term delinquency rate reductions
- Growth in existing home sales has stagnated in the first two months of 2014



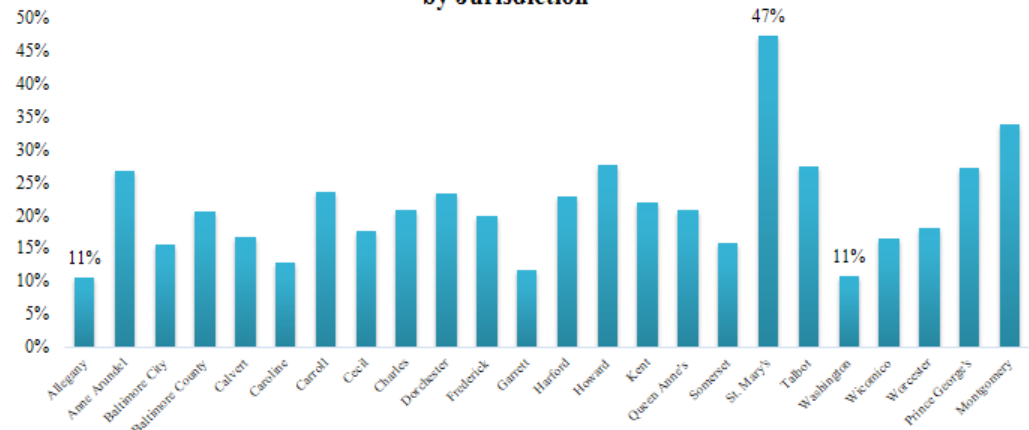
OTD and Mediation Dashboard

- OTDs down over the last four months, backlog clearance pushed back to March 2015
- Foreclosure mediation participation rate down in FY2013 and FY2014
- Large variability in mediation participation rates across the state

Statewide Foreclosure Mediation Participation Rate



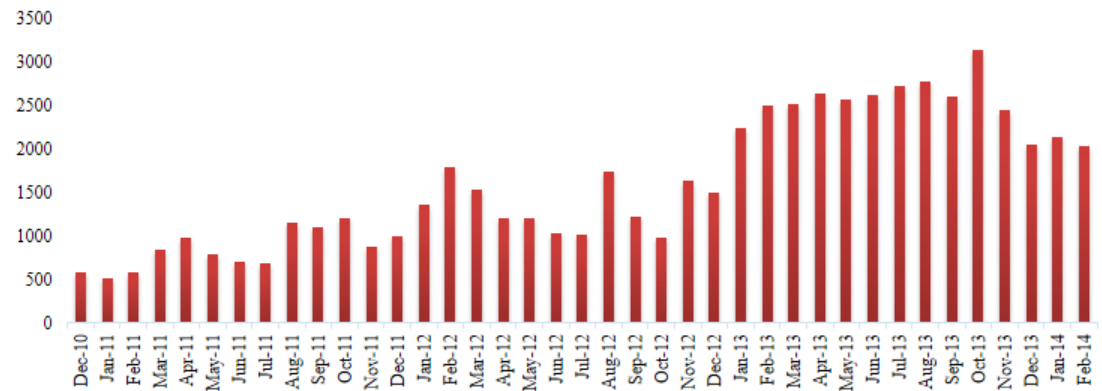
FY2014 Foreclosure Mediation Participation by Jurisdiction



How Decreasing OTDs and Foreclosures Delay the Depletion of Seriously Delinquent Loans



Maryland Monthly OTD Filings



- **HOPE Marketing Research Completed, New Campaign to Roll Out in April.** In the last four months of 2013 DHCD implemented an intensive advertising campaign for the Home Owners Preserving Equity (HOPE) foreclosure prevention program. The campaign did not translate into meaningful increases in callers eligible for foreclosure prevention assistance. DHCD suspended the campaign and has been conducting market research over the last few months. At the request of StateStat DHCD provided the financial breakdown of expenditure by advertising medium confirming the concerns StateStat had about the expense of television ads. TV ads accounted for 48 percent of media expenditures totaling \$285,501 over the four month period. This amounts to more than the total cost for production and ad placement planned for the revised marketing campaign to be implemented from the first week in April through June. DHCD's update on the new marketing campaign is as follows.

In Q1CY2014, DHCD completed an innovative new digital marketing research project designed to provide the most impact on new audiences at the end of March. Starting the first week of April, digital advertising will begin to roll out based on the research results. Additional creative content, designed for the full mix of relevant marketing channels, will be developed and deployed according to the schedule and budget in the tables below. As DHCD conducts their digital/internet advertising, they will continuously measure and refine messaging based on analysis of real time and aggregate measures of Click-Through-Rate (CTR) and consumer attraction (total volume and cost of acquisition). DHCD will utilize the results of the online analysis to tailor other non-web based advertising. The current HOPE marketing campaign will be sustained as the new marketing campaign is created and phased in to avoid any noticeable gap in HOPE advertising.

HOPE Dashboard

HOPE Hotline

- Calls, Website Hits and Intakes All Down in February
- TV Ad Expenditures 48 percent of Total September through December
- New Marketing Plan Ready to Roll Out

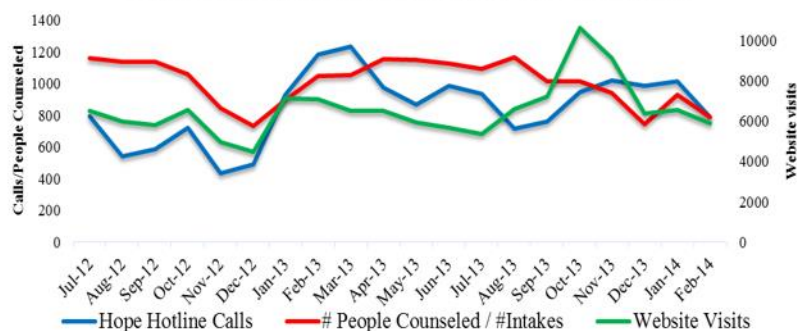
HOPE Marketing Budget (NEW)

Category	Cost Estimates	
Production Costs	\$50,000	
Ad Placement Total	\$200,000	
Digital Ad Placement		\$30,000
Broadcasting Ad Placement		\$100,000
Print / Outdoor Ad Placement		\$70,000
TOTAL	\$250,000	

HOPE Advertising Surge Expenditures from September to December 2013

	September	October	November	December	Total
Television	\$13,674	\$90,887	\$92,758	\$88,182	\$285,501
Radio	\$56,871	\$66,896	\$19,535	\$19,535	\$162,837
Print	\$3,305	\$2,610	\$2,919	\$12,060	\$20,894
Outdoor	\$34,489	\$16,465	\$14,460	\$18,215	\$83,629
Digital	\$2,984	\$16,971	\$17,884	\$3,780	\$41,619
TOTAL	\$111,323	\$193,829	\$147,556	\$141,772	\$594,480

Hope Hotline, Website and Individuals Counseled



HOPE Marketing Schedule Highlights

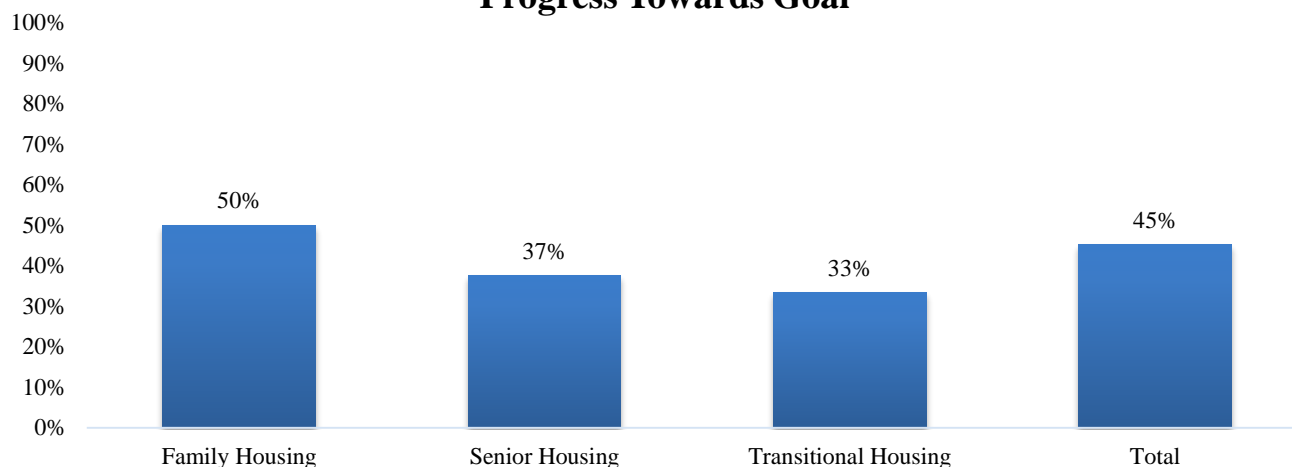


Multi-Family Housing Production

- **Rental Housing Works Has Produced Nearly 1,000 Units in FY2014 and is On Pace to Achieve the Fiscal Year Goal, but Multi-family Housing Production Not on Pace to Achieve FY2014 Goals.** DHCD currently operates multiple programs that make the development and preservation of affordable housing possible including the Low income Housing Tax Credit program funded by the federal government and the Rental Housing Works (RHW) program providing gap financing making the creation and preservation of affordable housing possible in cases where it otherwise would not be. To-date, RHW has closed 10 projects. These projects have created over 830 jobs, exceeding the FY2014 goal and produced 997 units, on pace to achieve the FY2014 goal of 1,450. DHCD's commitment to affordable housing is also illustrated by the fact that 63 percent of DHCD's 2013 expenditures went toward developing affordable rental housing.

Overall, production of multi-family housing does not appear to be on pace to achieve the goals set forth in the template. The extended timeline and fluctuating completion dates that accompany multifamily housing development does create the possibility that a large number of units could be completed late in the fiscal year. DHCD confirmed this and suggested delays may be the reason the state does not appear to be on pace to achieve the goals but DHCD plans to achieve the unit production as planned.

Multi-Family Housing Units/Beds Progress Towards Goal



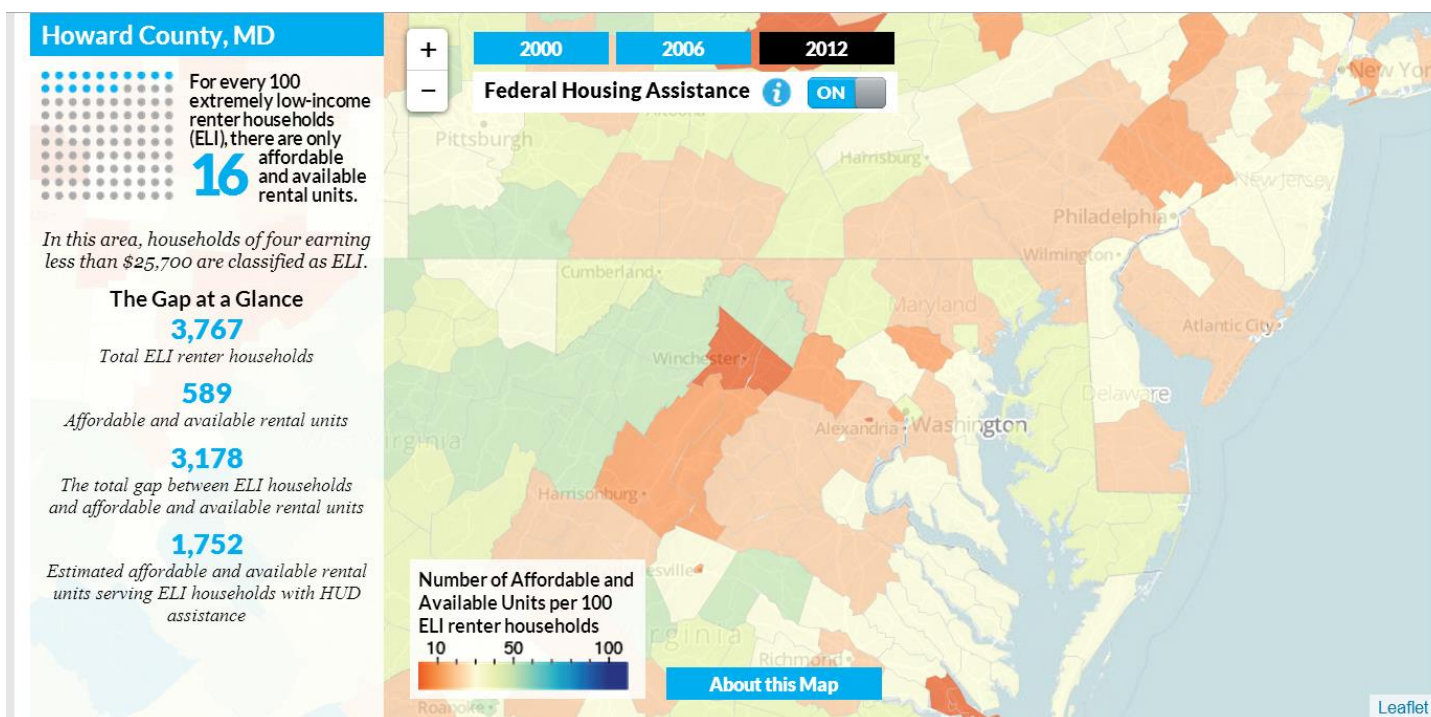
Housing Affordability

- **Housing Affordability Disproportionately Impacts Renters, Maryland One of the Least Affordable States.** Housing affordability is a problem across the United States and Maryland is no exception. The 2010 US Census showed that renter households in Maryland are much more likely to be housing cost burdened (indicated as spending more than 30 percent of income towards housing costs) than homeowners. Over 50 percent of all renter households were cost burdened in 2010 with the percentage increasing for lower income households; 82.1 percent for households earning \$20-34,999 annually and 84.3 percent for households earning under \$20,000. The fact that renters are more likely to be cost burdened is important to note as national estimates forecast the number of renter households increasing by 360,000-470,000 annually between 2010 and 2020. Additional measures have illustrated the housing affordability issue in Maryland. The National Low Income Housing Coalition ranks states on affordability by analyzing the hourly wage needed for a fulltime worker to afford a decent two-bedroom rental home at HUD-estimated Fair Market

Rent while spending no more than 30 percent of income on housing costs (Housing Wage). In the 2005 Out of Reach report Maryland was the sixth least affordable. In the recently released 2014 report Maryland was fourth least affordable with a “Housing Wage” of \$24.94. A recent release from the Urban Institute showed that in Maryland, nearly every county saw the availability of affordable rental units for extremely low income renter households (ELIH) declined since 2000. While a statewide number is not available, no county was estimated to have more than 47 units available per 100 ELIH in 2012. Harford County has by far the fewest units per 100 ELIH at 16 and Prince George’s and Washington County are tied for second lowest with 25 per 100 ELIH.

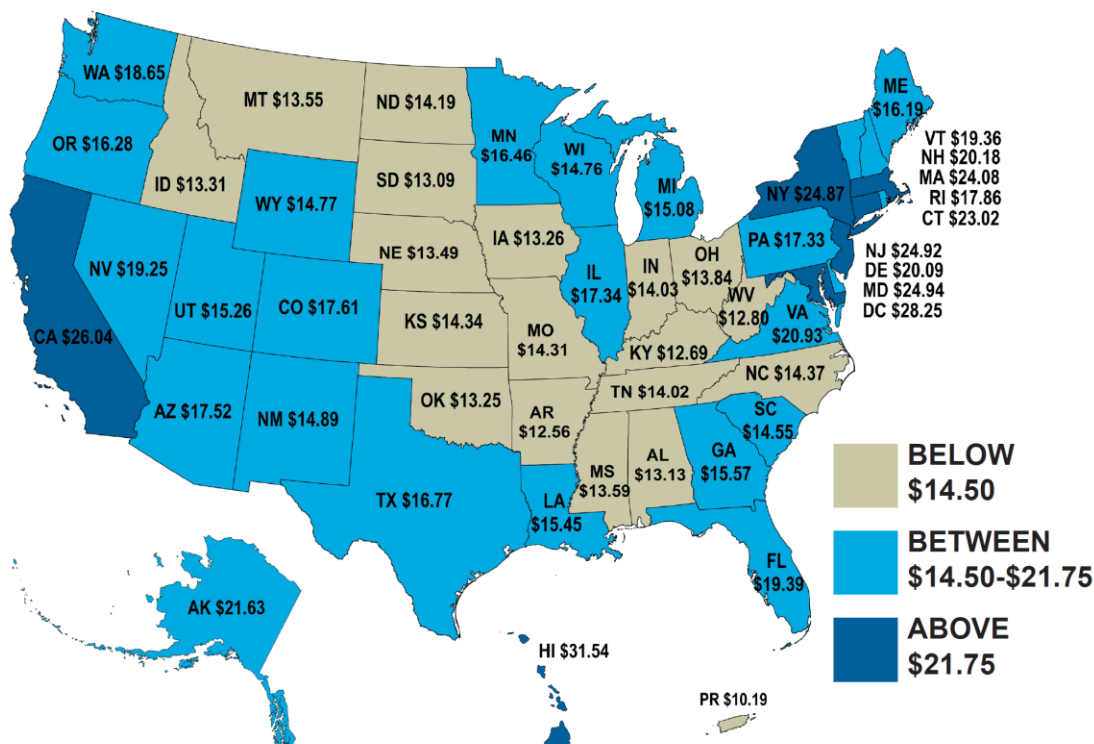
DHCD’s policy framework indicates housing affordability will remain a problem in Maryland by 2020 and that “reduced resources at the federal level coupled with the increase in renters due to the housing crisis increases the likelihood that owners of affordable apartment complexes will opt-out of government subsidized programs so they can raise rents.” In a recent meeting with DHCD, agency staff told StateStat that the loss of affordable housing units is rare and they work hard to ensure the units stay affordable or are transferred to an entity that will continue to operate them as affordable units. Strategy 1.1 in DHCD’s recently released housing policy framework identifies production and preservation of affordable rental housing as a priority for the agency. DHCD has identified a number of implementation items aimed at achieving this strategic goal.

DHCD reported a very large barrier to addressing affordable housing has been the reduction in federal spending in recent years. Maryland, like the rest of the country has lost units due to phasing out among other reasons. DHCD actively tracks units that are converted from affordable housing. For most affordable housing projects in Maryland, DHCD requires the units to remain affordable for 40 years, helping to minimize the conversion of units for the time being. DHCD reports they are pursuing a market analysis of affordable properties on a targeted basis and plan to use the information to develop preservation strategies.



2014 TWO-BEDROOM RENTAL UNIT HOUSING WAGE

Represents the hourly wage that a household must earn (working 40 hours a week, 52 weeks a year) in order to afford the Fair Market Rent for a two-bedroom rental unit, without paying more than 30% of their income.



National Low Income Housing Coalition // Out of Reach 2014

Low Income Energy Efficiency Programs

- **Low Income Energy Efficiency Program (LIEEP) Single Family production and Expenditures Down in February, Carroll County Severely Lagging.** LIEEP is a program for single family housing that helps low income households with installation of energy conservation materials in their homes at no charge. In December, DHCD reported they would be revising the completed units goal as well as the energy savings goal for the program and that the units completed goal will most likely be reduced and the energy saving goal increased. The revised single family unit goal is now 927 units/quarter. This new goal was determined by GDS & Associates Inc., EmPower's Evaluation, Measurement and Verification Contractor and submitted to the PSC. The revised energy savings associated with the new unit projection is 4,107,396 kWh and will be presented at the April 7-8, 2014 PSC Hearing. In the previous PSC Hearing in October 2013, DHCD provided a detailed report on the lower than expected unit participation, higher than expected costs and higher than expected energy savings. The PSC is forming a workgroup to review the cost per unit of the program. Though the goal has been revised and reduced, the revised quarterly goal still exceeds any quarter to-date. Q4FY2013 was the most productive goal to-date with regards to units completed and 901 units were completed in that quarter. DHCD reports they expect unit production to pick up through the rest of the year and are confident they will achieve this goal.

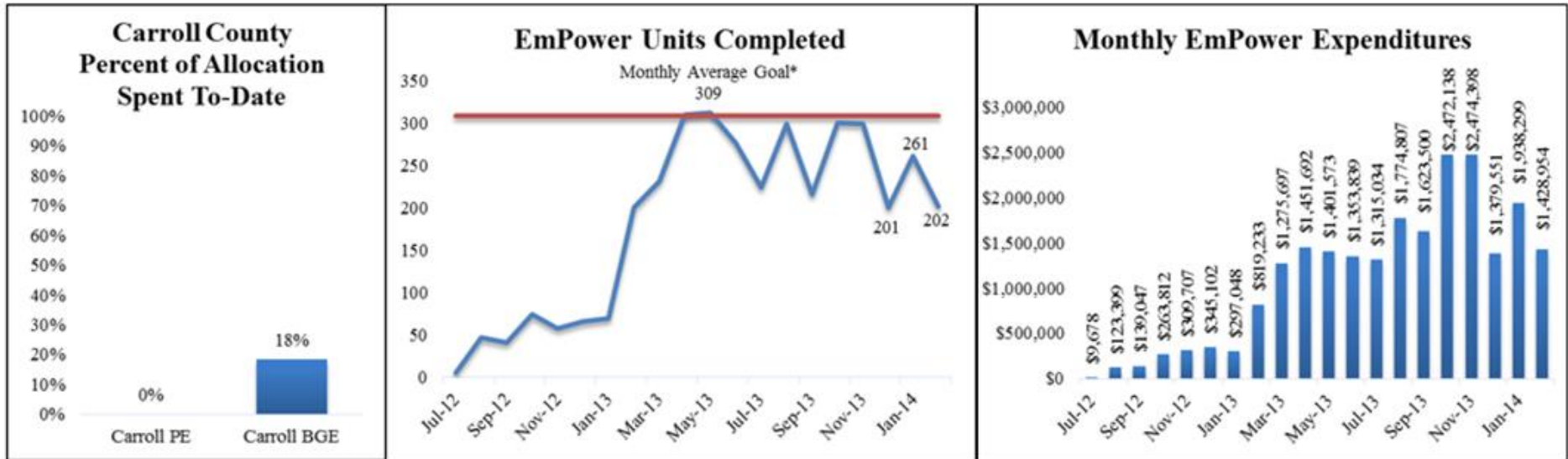
StateStat continues to monitor the expenditures each month and February expenditures were down by over \$500,000 compared to January. As a result of the low expenditures in February, the monthly average

expenditures needed to reach \$45 million by the end of the calendar year has increased to approximately \$2.3 million a month.

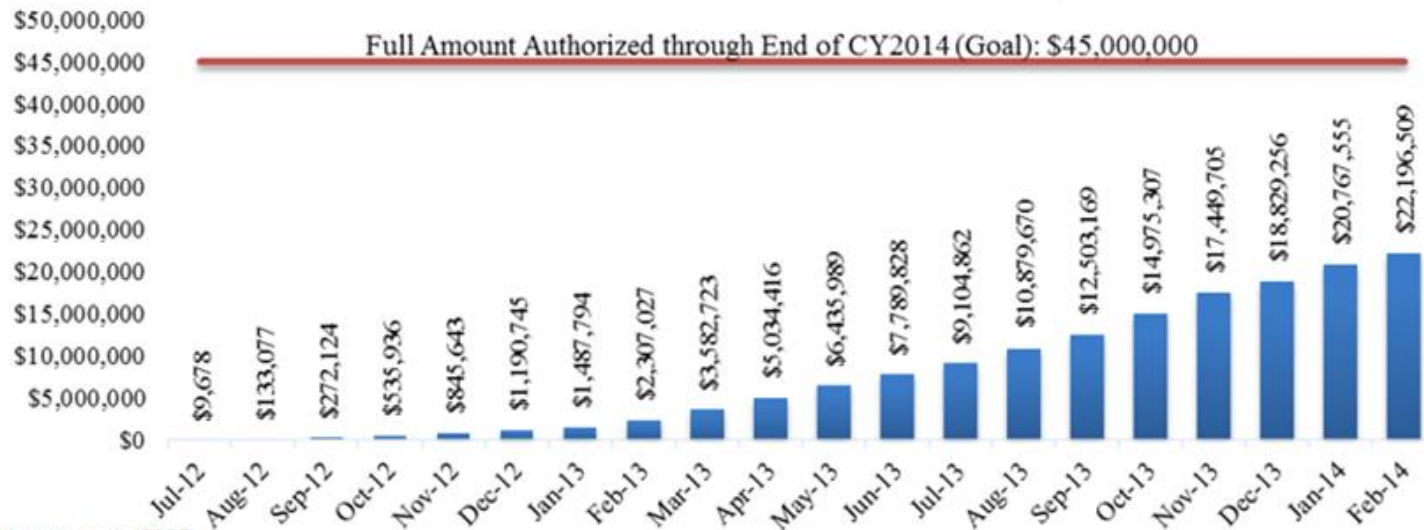
As of the last week in February Prince George's County DHCD (PGDHCD) Weatherization Program had resumed EmPower Activities though they still remained suspended as of the end of March. PGDHCD was suspended due to staffing issues and poor performance. Contractors continue to work in Prince George's County to make sure unit production progress continues in the county.

In the January StateStat meeting DHCD indicated that Carroll County was performing the poorest of all counties but they were not ready to take action in response to the poor performance. Analysis of county data revealed that Carroll County has failed to make significant progress over the last two months and as of February, Carroll County PE had not spent any of the allocated funds and Carroll County BGE had only spent 18 percent of allocated funds. DHCD reported that the county has recently signed contracts for the work and they anticipate production to begin.

EmPower Dashboard



EmPower LIEEP Weatherization Expenditures (Cumulative)

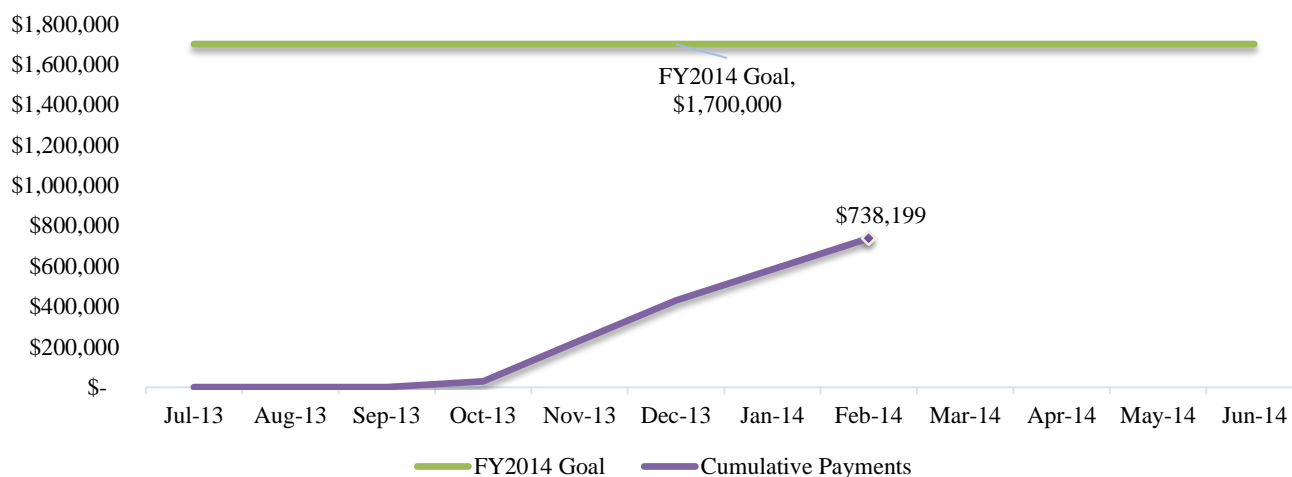


*Based on revised quarterly unit goal of 927

Multi-Family Rental Housing Programs

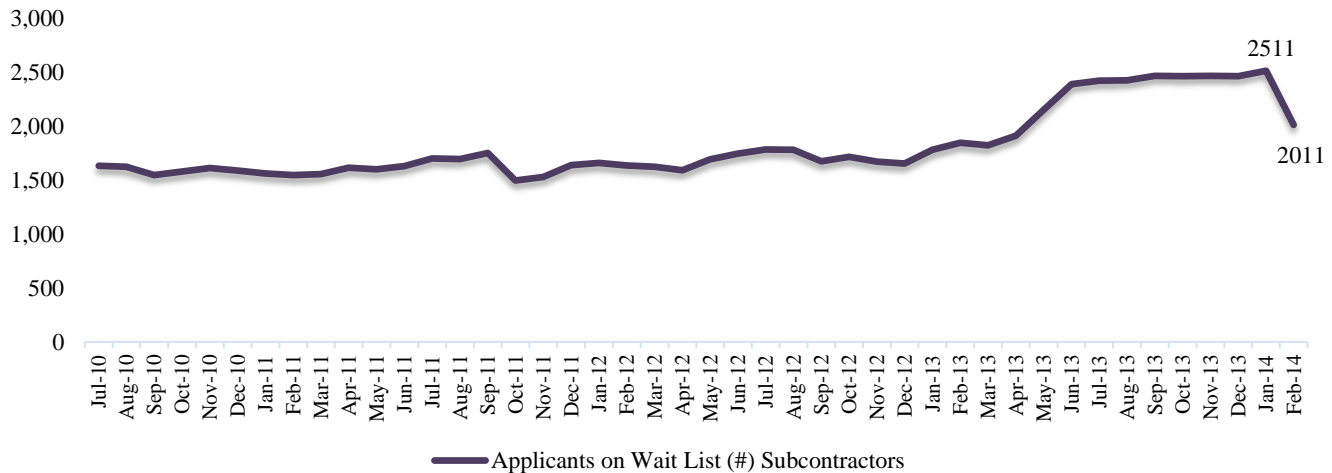
- **Rental Allowance Program Expenditures Not on Pace to Meet FY2014 Goal.** DHCD's Rental Allowance Program (RAP) provides fixed monthly rental assistance payments, on a short-term basis, to eligible lower income homeless persons and households at risk of homelessness. The Community Development Administration, in the Division of Development Finance, is authorized to make grants to a political subdivision, a housing agency, authority or department of a political subdivision or a nonprofit organization, with the endorsement of the subdivision, to be disbursed as RAP payments. RAP started the fiscal year with three consecutive months of zero payments made. Since October 2013 the program has been making payments but through February only 43 percent of the goal payments of \$1.7 million had been made. In FY2013 the program exceeded \$1.7 million and in FY2012 the program exceeded \$2 million. DHCD reports that the delay in expenditures is due to contact delays at the local government level. DHCD expects to expend all funds by the close of the fiscal year.

Rental Allowance Program



- **Housing Choice Voucher Waiting List Drops by 500 in a Month.** The Section 8 Housing Choice Voucher (HCV) Program is a rental assistance program that subsidizes the rent of lower-income families through the use of federal funds. The majority of HCVs are administered by local jurisdictions that have legislative authority to administer HCVs or choose not to. Where the local jurisdiction does not administer the HCVs, DHCD administers the program, in some cases through a subcontractor. In February the number of applicants on the subcontractor's waiting list dropped from 2,511 to 2,011. Nearly 450 of the applications removed from the waiting list were on the list for more than 360 days. No reduction in the waiting list of this magnitude has occurred at any time over the last three and a half years. From January to February there was no proportional change in the number of units leased or any other indication in the dataset that these applicants were moved from the waiting list into the program. At this point it is unclear what caused this drop in the number on the waiting list. DHCD will report back to StateStat as to the reason for the reduction.

Housing Choice Applicants on Wait List (Subcontractors)



Smart Growth Investment Fund

- Request an Update on the Smart Growth Investment Fund.** The Smart Growth Investment Fund Workgroup was created in 2013 and tasked with exploring the creation of an investment fund that would accelerate Smart Growth, revitalization and sustainable development in areas of the state that need assistance overcoming major financial, socio-economic, and political barriers to high quality compact development in existing communities. The Workgroup developed a concept to guide the fund identifying a double bottom line including social environmental returns in addition to financial returns and establishing a true public-private partnership. Moving forward, the Workgroup recommended that MEDCO develop a detailed plan for creation of the fund within the next 18 months. The MEDCO board passed a resolution committing \$250,000 to this effort subject to a matching commitment from the State. DHCD has committed to provide some of the state matching funds and is in talks with other state agencies to secure the remaining funds needed.